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## **House Conservatives: “Tax Code Should Not Be The Place for Welfare” *Urge Changes in EITC & Refundable Child Tax Credit***

WASHINGTON, D.C. – Today Rep. Sue Myrick (R - N.C.), Chairman of the Republican Study Committee, a caucus of over 90 House conservatives, joined Rep. Ernest Istook (R-OK) in sending a letter to the Republican leadership calling for major reform of our tax code in order to separate welfare policy from tax policy. In particular, the letter, which is reprinted below, targeted reform of the Earned Income Tax Credit (EITC).

Rep. Myrick stated, “The debate over the ‘refundable child tax credit’ isn’t a debate about a tax issue; it’s a welfare issue. When someone is already exempt from taxes, and still gets a government check, it’s not a tax rebate--it’s public assistance. That money comes from the people who DO pay taxes.”

Rep. Istook, added, “The problem is that welfare payments are being mislabeled as tax rebates; to end the confusion, we should stop putting the ‘tax refund’ label on government checks that are actually public assistance. The people affected have already been exempted from paying income taxes and 71% of them receive a check already via the mislabeled EITC. What’s worse, about a third of the EITC payments involve fraud, and that already costs honest taxpayers \$10-billion a year.”

The text of the letter is as follows:

Dear Sirs:

The current debate over so-called “refundable” child tax credits demonstrates the ever-mounting confusion between tax policy and public assistance.

The issues will never be honestly debated unless we act to clear away the confusion.

By filing a form with the IRS, which is not designed or equipped to make advance decisions on eligibility, individuals are guaranteed that they will be sent a government check. Only if they are audited is an effort then made to recover wrongful payments, using the bulky IRS procedures.

Years of efforts to improve IRS enforcement have done little good, because the fundamental flaw remains: No other government assistance program operates in this manner, with no procedure to determine eligibility before taxpayers' money is sent to an applicant. The rates of improper EITC payments are calculated at \$8 billion to \$12 billion each year (which is one-fourth to one-third of its total payments). There are legitimate questions of whether "refundable" child tax credits risk similar abuse, especially since the IRS estimates a 71% overlap between those who claim the EITC and those who would claim a new "refundable" child tax credit.

We suggest that there should be no expansion of a "refundable" child tax credit without prior or concurrent adoption of the following reforms:

1. Give an honest and descriptive new name to the so-called "Earned Income Tax Credit," such as "Low-Income Subsidy and Assistance Payment" (LISAP).
2. Give an honest and descriptive new name to "refundable" child tax credits, such as "Child-Rearing Income Subsidy and Assistance Payment" (CRISAP)
3. Expand the IRS' current effort to pre-certify the eligibility of EITC claimants, and consider transferring the entire program to an agency better suited to making advance determinations of eligibility.
4. Create a comprehensive framework to evaluate these payments as part of the "safety net" programs, such as Food Stamps, WIC, Temporary Assistance to Needy Families, housing subsidies, etc. This should include Social Security number cross-checking by a proper government agency, to assess the cumulative public assistance provided to individuals. This should include tracking recipients over time, to assess whether the benefits are providing permanent subsidies rather than incentives for people to move to greater self-sufficiency.
5. Consider limits on how long eligibility should last for programs like EITC, so that we can encourage people to improve their self-sufficiency.
6. Consider requiring that child tax credits be offset against EITC, so the total child credit could not increase their combined EITC and child tax credit beyond the total EITC permitted by law.

We also need to be more careful with our language. Referring to Social Security taxes and Medicare taxes as "payroll taxes" generates confusion between these taxes and income taxes, which also are "payroll taxes." Relieving someone of a "payroll tax" burden is given the appearance of income tax relief, even if it's not. Relieving someone of a "payroll tax" allows them to participate in Social Security and Medicare without paying into these programs. The effect is a dramatic conversion of Social Security and Medicare into public assistance rather than user-financed programs, enabled by our loose use of the term "payroll taxes".

These steps will enable honest public discussion about these public assistance programs, and whether the benefits of our earlier welfare reform efforts are being undone by these other programs.

Sincerely,

Sue Myrick  
Chairman, Republican Study Committee

Ernest Istook  
Member of Congress

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